

BUDGET LETTER

SUBJECT: CONTROL SECTION 3.60, BUDGET ACT OF 2004	NUMBER: 04-29 Revised
REFERENCES:	DATE ISSUED: October 1, 2004
	SUPERSEDES: BL 03-41

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: Please forward a copy of this budget letter (BL) to your department's/Agency's Personnel and Labor Relations Officers.

This BL provides budget development instructions for the 2004-05 employer retirement rate adjustments.

Control Section 3.60 Budget Development Instructions

A. Background—Control Section 3.60

Retirement Rates Have Changed

Through Control Section 3.60, the Legislature adopted higher employer retirement contribution rates that are not yet reflected in individual departmental base budgets. Pursuant to Control Section 3.60(a), **departmental appropriations will be adjusted** to accommodate the State employer's share of increased retirement costs through the Budget Executive Order process.

Due Dates

Departments are required to return all attachments and related supporting documentation to their respective Department of Finance (Finance) Budget Analyst as soon as possible, but **no later than Friday, October 15, 2004.**

A Note About Pension Obligation Bonds

The 2004 Budget Act anticipated the issuance of pension obligation bonds to satisfy a portion of the State's 2004-05 retirement contributions. All transactions for the pension obligation bonds will be at the statewide level and will not affect individual department budgets. Departments will continue to be assessed a retirement charge through the payroll system. The amounts collected from the General Fund will be abated to the General Fund through a statewide item; some of the amounts collected from other funds will be transferred to the General Fund and all future debt service obligations for the pension obligation bonds will be incurred by the General Fund.

The following table displays the 2003-04 and 2004-05 retirement rates:

Retirement Category (A)	2003-04 Retirement Rates (B)	2004-05 retirement rates (C)
Miscellaneous, First Tier	14.843%	17.022%
Miscellaneous, Second Tier	10.265%	13.216%
State Industrial	11.099%	16.386%
State Safety	21.930%	20.773%
Highway Patrol	32.653%	34.434%
Peace Officer/Firefighter	20.325%	23.841%

B. Instructions

To request funding for eligible adjustments, all departments should complete and submit Attachments II, III, IV, V and VI to their respective Finance Budget Analyst. The information is necessary to support the funding request and to provide the necessary scheduling information to process the Budget Executive Order. Refer to the following attachments to determine appropriate adjustments and to prepare departmental funding requests:

- Attachment I, **Treatment of Budget Documents**
- Attachment II, **2004-05 Annual Salary Base Worksheet**
- Attachment III, **Employer Retirement Rate Contribution Adjustment Worksheet**
- Attachment IV, **Planning Estimate Adjustment Summary**
- Attachment V, **Control Section 3.60 Scheduling Worksheet**
- Attachment VI, **Interagency Agreement Adjustment Worksheet**

Attachment I, Treatment of Budget Documents

Attachment I provides instructions on how to post retirement adjustments to the Planning Estimates and Schedule 10s. The attachment also explains how the retirement adjustments will be displayed in the Reconciliation with Appropriations.

Attachment II, 2004-05 Annual Salary Base Worksheet

The retirement contribution amount is calculated based upon the 2004-05 salary base. The salary base will be augmented for the various general salary increases that specific bargaining units received in 2004-05. In Column B (Budget Act Annual Salary Base) use the Totals, Authorized Positions less Temp Help and Overtime from the Salaries and Wages Supplement (Schedule 7A), segregate amounts by retirement plan and by bargaining unit. The attachment will automatically calculate a new salary base that will include the new general salary increases. The funding for these increases will be provided through a forthcoming budget letter.

Attachment III, Employer Retirement Rate Contribution Adjustment Worksheet

Except for the Salary Savings Rate and the Fund Split, all cells are formula driven. For the Salary Savings Rate, use the 2004-05 budgeted salary savings rate that will be used in the first pass of the Budget Galley.

Attachment IV, Planning Estimate Adjustment Summary

Split the amounts shown on Attachment III, Employer Retirement Rate Contribution Adjustment Worksheet by item of appropriation.

Attachment V, Control Section 3.60 Scheduling Worksheet

Provide scheduling information for all adjustments. The total on Attachment V, Control Section 3.60 Scheduling Worksheet must tie to the total on Attachment IV, Planning Estimate Adjustment Summary.

Attachment VI, Interagency Agreement Adjustment Worksheet

Departments requesting funding for the retirement contribution adjustments associated with reimbursements must coordinate with the department receiving the reimbursement, or payment, in order to correctly complete Attachment VI. Attachment VI must be completed by the department paying personnel costs under an interagency agreement. Retirement contribution adjustments for these departments will be considered under the following conditions:

- The department paying for the services must incur additional costs resulting from the retirement contribution adjustments identified in this BL. Paying departments are required to calculate and enter these amounts on Attachment VI.
- Any interagency agreement included on Attachment VI must be amended to reflect the corresponding funding request.
- For each individual interagency agreement, the total adjustment must be at least \$10,000 to be eligible for inclusion on Attachment VI.
- The department receiving payment under an interagency agreement must reflect the receipt as reimbursements in the appropriate schedules in their respective budget items.
- The interagency agreements included on Attachment VI must be cost-based.

C. Treatment of Budget Documents

Departments will use the Employer Retirement Rate Contribution Adjustment Worksheet (Attachment III) to calculate the required budget adjustment. Budget staff of the affected departments and their respective Finance Budget Analysts will make the necessary adjustments to the 2004-05 and 2005-06 budget documents to reflect the retirement rate adjustments identified on Attachment III. These include adjustments to the Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), the Governor's Budget (Summary by Object, etc.), and supplementary schedules.

See Attachment I, (pages 1 and 2), of this BL for instructions on the treatment of budget documents.

Departments must use the retirement rates in Column C on the previous table in any Budget Change Proposal submitted to Finance, whether for the current year (2004-05) or the budget year (2005-06).

D. Additional Information

Please direct your questions to the following:

- Treatment of budget documents should be directed to your Finance Budget Analyst.

- Technical guidance on this BL should be directed to Tim Lynn, Administration Unit, at Department of Finance, (916) 445-3274 (CNET 485-3274).

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments

**EMPLOYER RETIREMENT CONTRIBUTION RATE ADJUSTMENTS
TREATMENT OF BUDGET DOCUMENTS**

A. Planning Estimates (PE)

Section 3.60—Post the totals from the completed Attachment III to PE line 0200 for each applicable item of appropriation. These baseline adjustments must be entered for both **current year** and **budget year**. Attachment III will be used by Finance Budget Analysts to update the PE system prior to receiving completed PE worksheets from departments.

B. Schedule 10s

A Budget Executive Order will be prepared to adjust 2004-05 departmental appropriations due to the change in retirement rates. Departments must **manually** post the 2004-05 adjustments listed on Attachment III to their current year Schedule 10s.

Example:

Adjustment per Control Section 3.60:

Program A or Personal Services	\$XXX
Program B or OE&E	\$XXX
Reimbursements	<u>-\$XXX</u>
Total	\$XXX

C. Reconciliation with Appropriations

Adjustments per Control Section 3.60 will be displayed in the automated RWA on the line entitled "Adjustment per Control Section 3.60," based on the adjustments posted on the department's Schedule 10s.

Example:

RECONCILIATION WITH APPROPRIATIONS				
1 STATE OPERATIONS				
0001 General Fund				
	2003-04	2004-05	2005-06	
APPROPRIATIONS				
001 Budget Act appropriation	\$XXX	\$XXX	\$XXX	
Adjustment per Section 3.60	<u>XX</u>	<u>XX</u>	<u>--</u>	
Totals Available	\$XXX	\$XXX	\$XXX	
Unexpended balance, estimated savings	<u>-X</u>	<u>--</u>	<u>--</u>	
TOTALS, EXPENDITURES	\$XXX	\$XXX	\$XXX	

CHANGES IN AUTHORIZED POSITIONS	PY	CY	BY	PY	CY	BY
Totals, Authorized Positions	238.7	298.5	298.5	\$11,154	\$13,641	\$13,886
Salary adjustments	--	--	--	--	121	142
Totals, Adjusted Authorized Positions	238.7	298.5	298.5	\$11,154	\$13,762	\$14,028
Workload and Administrative Adjustments:						
Positions Established:				Salary Range		
Research Prog Spec I	--	1.0	--	4,301-5,228	52	--
Staff Counsel (Legal)	--	1.5	--	3,651-7,034	66	--
Environmental Spec III (Planning)	--	1.0	--	2,738-3,290	33	--
Temporary Help	--	4.5	--	--	36	--
Overtime	--	--	--	--	18	--
Reduction in Authorized Positions:						
Assoc Govtl Program Analyst	--	-1.5	-1.0	3,915-4,759	-70	-47
Records Mgt Analyst	--	-1.0	--	3,255-3,957	-39	--
Transfer from Dept XXX:						
Staff Services Analyst	--	--	4.0	2,507-3,957	--	120
Totals, Workload and Administrative Adjustments	--	5.5	3.0	--	\$96	\$73
Proposed New Positions:						
Assoc Mineral Res Engr (4 positions effective 1/1/05) ^{1/}	--	--	2.0	4,118-4,970	--	122
Programmer II	--	1.0	1.5	2,770-3,330	43	65
Totals, Proposed New Positions	--	1.0	3.5	--	\$43	\$187
Total Adjustments	--	3.0	3.0	--	\$103	\$245
TOTALS, SALARIES AND WAGES	238.7	301.5	301.5	\$11,154	\$13,744	\$14,131

This line must agree with the Schedule 7A.

The sum of these lines must equal the "Total Adjustments" line.

This line must equal the "Total Adjustments" line in the Summary by Object.

This line must equal the "Authorized Positions" plus the "Total Adjustment" lines in the Summary by Object.

^{1/} Any position(s) not authorized for the full fiscal year will be noted with a parenthetical comment. Please note that these 4.0 proposed new positions effective 1/1/05 are being reflected with a net position count of 2.0 and a net dollar amount of \$122 (thousand). Formerly, these would have been shown as 4 positions and \$244 (thousand) with partial year adjustments of -2.0 positions and -\$122 (thousand).